

103^D CONGRESS
1ST SESSION

H. R. 691

To amend the Internal Revenue Code of 1986 to encourage immediate investments in new manufacturing and other productive equipment by temporarily allowing an investment tax credit to taxpayers who increase the amount of such investments.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 27, 1993

Mr. RIDGE introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to encourage immediate investments in new manufacturing and other productive equipment by temporarily allowing an investment tax credit to taxpayers who increase the amount of such investments.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Competitiveness Tax
5 Credit Act”.

1 **SEC. 2. TEMPORARY INVESTMENT CREDIT FOR NEW MANU-**
2 **FACTURING AND OTHER PRODUCTIVE EQUIP-**
3 **MENT.**

4 (a) ALLOWANCE OF CREDIT.—Section 46 of the In-
5 ternal Revenue Code of 1986 (relating to amount of in-
6 vestment credit) is amended by striking “and” at the end
7 of paragraph (2), by striking the period at the end of para-
8 graph (3) and inserting “, and”, and by adding at the
9 end the following new paragraph:

10 “(4) the manufacturing and other productive
11 equipment credit.”

12 (b) AMOUNT OF CREDIT.—Section 48 of such Code
13 is amended by adding at the end the following new sub-
14 section:

15 “(c) MANUFACTURING AND OTHER PRODUCTIVE
16 EQUIPMENT CREDIT.—

17 “(1) IN GENERAL.—For purposes of section 46,
18 the manufacturing and other productive equipment
19 credit for any taxable year is an amount equal to the
20 sum of—

21 “(A) the domestic equipment credit, and

22 “(B) the nondomestic equipment credit.

23 “(2) AMOUNT OF DOMESTIC AND NONDOMESTIC
24 EQUIPMENT CREDITS.—For purposes of this sub-
25 section—

26 “(A) DOMESTIC EQUIPMENT CREDIT.—

1 “(i) IN GENERAL.—The domestic
2 equipment credit for any taxable year is 10
3 percent of the amount equal to the product
4 of—

5 “(I) the domestic equipment
6 ratio, and

7 “(II) the qualified increase
8 amount.

9 “(ii) DOMESTIC EQUIPMENT RATIO.—
10 The domestic equipment ratio for any tax-
11 able year is a fraction in which—

12 “(I) the numerator is the aggre-
13 gate bases of the qualified manufac-
14 turing and other productive equip-
15 ment properties placed in service dur-
16 ing such taxable year which are of do-
17 mestic origin, and

18 “(II) the denominator is the ag-
19 gregate bases of all qualified manufac-
20 turing and other productive equip-
21 ment properties placed in service dur-
22 ing such taxable year.

23 “(B) NONDOMESTIC EQUIPMENT CRED-

24 IT.—

1 “(i) IN GENERAL.—The nondomestic
2 equipment credit for any taxable year is 7
3 percent of the amount equal to the product
4 of—

5 “(I) the nondomestic equipment
6 ratio, and

7 “(II) the qualified increase
8 amount.

9 “(ii) NONDOMESTIC EQUIPMENT
10 RATIO.—The nondomestic equipment ratio
11 for any taxable year is a fraction in
12 which—

13 “(I) the numerator is the aggre-
14 gate bases of the qualified manufac-
15 turing and other productive equip-
16 ment properties placed in service dur-
17 ing such taxable year which are not of
18 domestic origin, and

19 “(II) the denominator is the ag-
20 gregate bases of all qualified manufac-
21 turing and other productive equip-
22 ment properties placed in service dur-
23 ing such taxable year.

24 “(C) DETERMINATION OF DOMESTIC ORI-
25 GIN.—

1 “(i) IN GENERAL.—Property shall be
2 treated as being of domestic origin only
3 if—

4 “(I) the property was completed
5 in the United States, and

6 “(II) at least 50 percent of the
7 basis of the property is attributable to
8 value added within the United States.

9 “(ii) UNITED STATES.—The term
10 ‘United States’ includes the Common-
11 wealth of Puerto Rico and the possessions
12 of the United States.

13 “(3) QUALIFIED MANUFACTURING AND OTHER
14 PRODUCTIVE EQUIPMENT PROPERTY.—For purposes
15 of this subsection—

16 “(A) IN GENERAL.—The term ‘qualified
17 manufacturing and other productive equipment
18 property’ means any property—

19 “(i) which is used as an integral part
20 of the manufacture or production of tan-
21 gible personal property and increases the
22 efficiency of the manufacturing or produc-
23 tion process;

24 “(ii) which is tangible property to
25 which section 168 applies, other than 3-

1 year property (within the meaning of sec-
2 tion 168(e)),

3 “(iii) which is section 1245 property
4 (as defined in section 1245(a)(3)), and

5 “(iv)(I) the construction, reconstruc-
6 tion, or erection of which is completed by
7 the taxpayer, or

8 “(II) which is acquired by the tax-
9 payer, if the original use of such property
10 commences with the taxpayer.

11 “(B) SPECIAL RULE FOR COMPUTER SOFT-
12 WARE.—In the case of any computer software—

13 “(i) which is used to control or mon-
14 itor a manufacturing or production proc-
15 ess,

16 “(ii) which increases the efficiency of
17 the manufacturing or production process,
18 and

19 “(iii) with respect to which deprecia-
20 tion (or amortization in lieu of deprecia-
21 tion) is allowable,

22 such software shall be treated as qualified man-
23 ufacturing and other productive equipment
24 property.

1 “(4) QUALIFIED INCREASE AMOUNT.—For pur-
2 poses of this subsection—

3 “(A) IN GENERAL.—The term ‘qualified
4 increase amount’ means the excess (if any) of—

5 “(i) the aggregate bases of qualified
6 manufacturing and other productive equip-
7 ment properties placed in service during
8 the taxable year, over

9 “(ii) the base amount.

10 “(B) BASE AMOUNT.—The term ‘base
11 amount’ means the product of—

12 “(i) the fixed-base percentage, and

13 “(ii) the average annual gross receipts
14 of the taxpayer for the 4 taxable years pre-
15 ceding the taxable year for which the cred-
16 it is being determined (in this subsection
17 referred to as the ‘credit year’).

18 “(C) MINIMUM BASE AMOUNT.—In no
19 event shall the base amount be less than 50
20 percent of the amount determined under sub-
21 paragraph (A)(i).

22 “(D) FIXED-BASE PERCENTAGE.—

23 “(i) IN GENERAL.—The fixed-base
24 percentage is the percentage which the ag-
25 gregate amounts described in subpara-

graph (A)(i) for taxable years beginning after December 31, 1987, and before January 1, 1993, is of the aggregate gross receipts of the taxpayer for such taxable years.

“(ii) ROUNDING.—The percentages determined under clause (i) shall be rounded to the nearest $\frac{1}{100}$ of 1 percent.

“(E) OTHER RULES.—Rules similar to the rules of paragraphs (4) and (5) of section 41(c) shall apply for purposes of this paragraph.

“(5) COORDINATION WITH OTHER CREDITS.—This subsection shall not apply to any property to which the energy credit or rehabilitation credit would apply unless the taxpayer elects to waive the application of such credits to such property.

“(6) CERTAIN PROGRESS EXPENDITURE RULES MADE APPLICABLE.—Rules similar to rules of subsections (c)(4) and (d) of section 46 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) shall apply for purposes of this subsection.

“(7) TERMINATION DATE.—This subsection shall not apply to any property placed in service

1 after the expiration of the 2-year period beginning
2 on the date of the enactment of this Act.”

3 (c) TECHNICAL AMENDMENTS.—

4 (1) Clause (ii) of section 49(a)(1)(C) of such
5 Code is amended by inserting “or qualified manufac-
6 turing and other productive equipment property”
7 after “energy property”.

8 (2) Subparagraph (E) of section 50(a)(2) of
9 such Code is amended by inserting “or 48(c)(6)” be-
10 fore the period at the end.

11 (3)(A) The section heading for section 48 of
12 such Code is amended to read as follows:

13 **“SEC. 48. OTHER CREDITS.”**

14 (B) The table of sections for subpart E of part
15 IV of subchapter A of chapter 1 of such Code is
16 amended by striking the item relating to section 48
17 and inserting the following:

“Sec. 48. Other credits.”

18 (d) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to—

20 (1) property acquired by the taxpayer after the
21 date of the enactment of this Act, and

22 (2) property the construction, reconstruction, or
23 erection of which is completed by the taxpayer after
24 the date of the enactment of this Act, but only to

- 1 the extent of the basis thereof attributable to con-
- 2 struction, reconstruction, or erection after such date.

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